

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3962-01
BILL NO.: HB 1660
SUBJECT: Retirement: Colleges and Universities
TYPE: Original
DATE: February 15, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Joint Committee on Public Employee Retirement** have reviewed this proposal and have determined that it does not represent a “substantial proposed change” in future plan benefits as defined in section 105.660(5), RSMo. Therefore, an actuarial cost statement is not required.

Officials of the **Office of Administration** assume any fiscal impact will be determined by the Missouri State Employees’ Retirement System.

Officials of **Truman State University, Southwest Missouri State University, and Missouri Western State College** assume the proposal would not have fiscal impact to them.

Officials of **Central Missouri State University** assume fiscal impact is unknown until the number of participants is determined.

Missouri State Employees’ Retirement System (MOSERS) officials assume the proposal would allow the state’s regional colleges and universities to establish an optional retirement program (ORP) for all full-time teaching and senior administrative personnel. MOSERS assumes that all future employees of these institutions would be allowed to elect participation in an ORP in lieu of participating in MOSERS. Participation would also be open to current employees in MOSERS who were appointed to ORP-eligible positions subsequent to the effective date of the act. MOSERS assumes that regardless of the size of the group eligible for the ORP, it would be reasonable to assume that most eligible participants would select the plan providing the greater economic value and thus the greater cost (adverse selection). Assuming that new hires act rationally, the younger ones will elect the ORP, and the older ones will elect MOSERS. Over a period of time, this will have the effect of (a) increasing the average entry age and (b) decreasing the active population participating in MOSERS, both of which will lead to escalating costs. Contribution rates for MOSERS will increase because the normal cost is based on entry age (the older the entry age the higher the rate) and because the declining membership will initially behave like a closed group. Thus, the end result would be an increased cost to MOSERS. In addition, MOSERS officials note the potential for equal protection lawsuits against the state and possibly MOSERS as a result of the legislation.

Oversight assumes institutions that establish ORP’s could experience cost savings since the stated contribution rate in the proposal is 7%, versus the current 11.59% for MOSERS. However, the institutions may also incur some administrative costs associated with establishing and administering the ORP’s. Therefore, for fiscal note purposes, Oversight assumes any fiscal
ASSUMPTION (continued)

impact to the institutions would be minimal. Oversight also assumes that any fiscal impact on MOSERS would be long-term, and no additional costs to the state from increased contributions are reflected in the fiscal note period.

	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>FISCAL IMPACT - State Government</u>			
	\$0	\$0	\$0
	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>FISCAL IMPACT - Local Government</u>			
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

The proposal would allow the state's regional colleges and universities to establish an optional retirement program (ORP) for all full-time teaching and senior administrative personnel.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Office of Administration
Missouri State Employees' Retirement System
Truman State University

SOURCES OF INFORMATION (continued)

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Central Missouri State University
Southwest Missouri State University
Missouri Western State College

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large, circular initial "J" and a long, sweeping horizontal stroke at the end.

Jeanne Jarrett, CPA
Director
February 15, 2000